Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
Universal Service Contribution Methodology	)	WC Docket No. 06-122
A National Broadband Plan for our Future	)	GN Docket No. 09-51

COMMENTS OF THE PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

INTRODUCTION AND SUMMARY

Pursuant to the Further Notice of Proposed Rulemaking released in the above-cited dockets on April 27, 2012 (FNPRM)[1] the Public Service Commission of the District of Columbia (DC PSC) respectfully files limited comments on several issues presented in the FNPRM. The DC PSC recognizes the need to reform the federal universal service compensation system, since it does not adequately fund current federal universal service obligations. However, the DC PSC also urges the Federal Communications Commission (FCC) to consider carefully the effects of any reforms on states with their own universal service funds, to minimize any increased end user payments. The DC PSC urges the FCC to ensure that all Lifeline customers, not just Lifeline customers of incumbent local exchange carriers (ILEC), are exempt from universal service payments. The DC PSC recommends ensuring that customer bills clearly identify and explain universal service payments. Finally, the DC PSC recommends that the contribution factor be calculated on an annual basis.

---

[1] Further Notice of Proposed Rulemaking, *Universal Service Contribution Methodology, A National Broadband Plan for our Future*, WC Docket No. 06-122, GN Docket No. 09-51, rel. April 30, 2012.

THE FCC SHOULD BROADEN THE CONTRIBUTION BASE.

In the FNPRM, the FCC requests comments on the types of services that should be subject to universal service obligations. While "telecommunications services" must be assessed for universal service, the FCC may assess services providing interstate telecommunications under permissive authority.[2] The DC PSC urges the FCC to exercise this permissive authority broadly, to ensure that a greater number of services help fund the federal universal service fund (USF). There are many reasons for doing so. First, the FCC has expanded the types of services that will be funded by the USF, particularly broadband services, to take into account changing communications needs. If new services are to be supported by federal universal service, then providers of these services should be assessed for universal service contributions. Second, many newer services are performing similar functions as traditional voice service, so they should be included in the USF contribution base. Providers of these new services also benefit from having a greater number of end users, who are supported by universal service funding, available to purchase these services.

The DC PSC believes that the most effective way to broaden the contribution base is to expand the definition of "provider of interstate telecommunications" instead of enumerating specific services to be included in the contribution base under the FCC's permissive authority.[3] Considering the rapid expansion of and change in the variety of services that are offered to end users, a list of enumerated services will become obsolete quickly, necessitating constant updating. A broad definition of "provider of interstate telecommunications" should be more flexible in defining new services to be included in the contribution base.

---

2 47 U.S.C § 254(d) (2011).

3 *See*, FNPRM at 36-37, ¶ 74-76.

ANY CHANGE IN THE METHOD OF CONTRIBUTION CALCULATION SHOULD RECOGNIZE THE EXISTENCE OF STATE UNIVERSAL SERVICE FUNDS.

The FNPRM requests comments on whether contributions should continue to be assessed based on revenues, or whether calculating assessments based on connections, numbers, or some hybrid system of assessment would lead to a more sustainable contribution base. The DC PSC notes that this determination will affect contributions to state universal service funds. The District of Columbia has a state universal service fund[4] that uses revenues as the basis for contribution assessment. The D.C. Code requires contributions to be calculated by the DC USTF Administrator based on revenue derived from local telecommunications services provided by traditional local exchange carriers and Voice over Internet Protocol (VoIP) service providers.[5] The DC USTF permits VoIP service providers to report local telecommunications services based on the VoIP service provider's choice of actual usage based on the end user's primary place of use, traffic studies, or the inverse of the FCC's safe harbor.[6]

Any reform of the federal contribution system could affect the contribution base for state universal service funds. A shift away from contribution calculations based on revenue to another method of calculation could lead to inconsistencies among the different calculation methods, which could cause confusion for contributors and end users. On the other hand, assessment through numbers or connections may ensure that intrastate revenues are assessed only by state universal service funds, minimizing the burden on end users.[7]

---

4 As noted in several other proceedings, the District of Columbia Universal Service Trust Fund (DC USTF) is only for Lifeline service and for intrastate telecommunications relay service (TRS).

5 D.C. Code § 34-2003(b)(1) (2011 Supp.).

6 15 DCMR § 2814.2 (2012).

7 The DC PSC notes that the FCC has just imposed a new USF fee on end users, the Access Recovery Charge. Any reform of the USF contribution system should strive to minimize the imposition of any further new USF fees.

If the FCC continues to use revenues as the contribution method, the FCC should avoid assessing revenues that are also assessed by state universal service funds. Otherwise, end users could be assessed for universal service twice on the same revenues, jeopardizing the financial integrity of both federal and state universal service.

Additionally, if the FCC chooses to change its allocators based on any decisions to broaden the range of services to be included in the contribution base, the FCC should not impose a 100 percent interstate allocator on telecommunications services. A 100 percent allocator would ignore the reality that some telecommunications services are still purely local.[8] With a 100 percent interstate allocator, the DC USTF would be unable to function, depriving District of Columbia residents of additional Lifeline assistance and intrastate TRS support, since the only source of funding for the DC USTF is local telecommunications revenue.

ANY CHANGE IN THE *DE MINIMIS* EXCEPTION COULD CREATE CONFLICTS BETWEEN THE FCC RULES AND STATE LAWS.

The FNPRM proposes to change the way *de minimis* exceptions are granted, from an exception based on the proposed contribution to an exception based on contributor assessable revenue.[9] In the District of Columbia, *de minimis* exceptions are granted based on contributions,[10] so any change to the federal rule could cause confusion among contributors.

NO LIFELINE CUSTOMER SHOULD BE REQUIRED TO CONTRIBUTE TO UNIVERSAL SERVICE.

The DC PSC acknowledges that many universal service contributions are passed on to end users by contributors. The FCC has specifically exempted Lifeline service customers served

---

8 *See*, FNPRM at 54, ¶ 133.

9 FNPRM at 78-79, ¶ 213-214.

10 D.C. Code § 34-2003(b)(2) (2011 Supp.); 15 DCMR § 2814.3 (2012).

by ILECs from paying universal service fees assessed on services included in the Lifeline program. The FCC inquires about whether ILEC Lifeline customers should continue to be exempt from these payments and whether this exemption should be extended to CLEC Lifeline service customers.[11] The DC PSC encourages the FCC not only to continue the exemption for ILEC Lifeline service customers, but also to expand the exemption to CLEC Lifeline service customers. Lifeline service customers qualify for assistance because they cannot pay for these services on their own. Requiring Lifeline service customers to pay a USF fee may render Lifeline service unaffordable, negating the purpose of the Lifeline program. Additionally, there is no reason to exempt ILEC Lifeline service customers from this payment while requiring payment by CLEC Lifeline service customers. Applying the exemption to CLEC Lifeline service customers would level the competitive playing field for Lifeline services among ILECs and CLECs.

THE FCC SHOULD PROMOTE GREATER CLARITY ABOUT USF FEES.

Since end user customers often pay for USF contributions, the FCC requests comments on how USF fees should be described to these customers.[12] The DC PSC believes that line items identifying USF fees provide vital information to end users, identifying these additional charges on end users' bills. USF line items should not be eliminated. Moreover, the DC PSC supports a new rule that would require contributors to indicate how the USF fee on the bill is calculated, so that consumers would be able to determine whether their USF fees are being assessed properly.[13] The DC PSC also supports a requirement that contributors indicate at the point of sale that consumers are responsible for USF fees in addition to the quoted prices and explain how USF

---

11 FNPRM at 136, ¶ 404.

12 FNPRM at 133-135, ¶ 389-397.

13 FNPRM at 133-134, ¶ 390.

fees are determined, to reduce bill shock when the first bill arrives.[14]

THE CONTRIBUTION FACTOR SHOULD BE ADJUSTED ON AN ANNUAL, NOT QUARTERLY, BASIS.

The FNPRM seeks input on how frequently a contribution factor should be established and adjusted.[15] The DC PSC believes that the current quarterly adjustment is administratively burdensome for contributors and confusing for end users. An annual adjustment would be more administratively efficient, as contributors would need to calculate contributions only once a year and end users would not see a new rate appear quarterly on their bills. An annual adjustment would still permit the USF to remain solvent, for there would be sufficient time to determine if any additional resources are needed.

CONCLUSION

The DC PSC encourages the FCC to undertake federal USF contribution reform that will ensure that the federal USF remains solvent. The DC PSC believes that a broader range of services should be assessed for federal USF, especially since a broader range of services are now funded by the federal USF. Revenues that are assessed for state universal service funds should not also be assessed for federal USF, however. The FCC should ensure that end users are informed of federal USF fees on their bills by retaining line items and requiring contributors to explain the line items in the bill and at the point of sale.

The DC PSC appreciates the opportunity to submit comments in this proceeding.

---

[14] *See*, FNPRM at 134, ¶ 392.

[15] FNPRM at 124, ¶ 353.

PUBLIC SERVICE COMMISSION
of the DISTRICT OF COLUMBIA

By: ______________________
Richard A. Beverly, General Counsel
Lara Howley Walt

1333 H Street, N.W.
Suite 200, West Tower
Washington, D.C. 20005
202-626-5100

Its Attorneys

July 9, 2012